

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Davis Analyst: Jeani Brent Bill Number: AB 2097

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 05/16/2000

Attorney: Patrick Kusiak Sponsor:

**SUBJECT:** Credit for Household and Dependent Care Services Necessary for Gainful Employment

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 22, 2000, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

This bill would allow individuals a credit based on qualifying child or dependent care expenses paid for the taxpayer to be gainfully employed or to seek employment. The credit would equal 25% of the current federal credit.

This bill also would require the California Research Bureau to report to the Legislature on the use of the credit.

### SUMMARY OF AMENDMENT

The May 16, 2000, amendments changed the credit percentage from 100% to 25%, included a sunset date of January 1, 2006, limited the carryover period to eight years, and added the reporting requirement for the California Research Bureau. These amendments resolve the policy considerations raised in the department's analysis of the bill as introduced February 22, 2000.

Except for the issues discussed in this analysis, the remainder of the department's analysis of the bill as introduced February 22, 2000, still applies.

### Board Position:

\_\_\_\_ S  
\_\_\_\_ SA  
\_\_\_\_ N

\_\_\_\_ NA  
\_\_\_\_ O  
\_\_\_\_ OUA

\_\_\_\_ NP  
\_\_\_\_ NAR  
 X  PENDING

### Legislative Director

### Date

Johnnie Lou Rosas

6/1/00

TAX REVENUE ESTIMATE

Revenue losses under the Personal Income Tax Law (PITL) are estimated to be:

Fiscal Year Cash Flow Taxable Years Beginning After December 31, 1999 Enactment Assumed After June 30, 2000 \$ Millions		
2000-01	2001-02	2002-03
-\$62	-\$61	-\$63

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

REVENUE DISCUSSION

Revenue losses under the PITL would depend on the number of taxpayers who would be eligible for the federal household and dependent care credit and the amount of credit that could be applied against available state tax liabilities.

The above estimates were based on simulations using the department's personal income tax model. Special programming was done to reflect federal law.

BOARD POSITION

Pending.